

Councilman Penrose Hollins Proposes Program to Stop the “Middle Class Squeeze.”

A New Tool Would Help Moderate Income Residents and the County as a Whole Emerge from the Housing Crisis while Enhancing Housing Options

Moderately Price Dwelling Units Op-Ed Prepared by: Councilman Penrose Hollins

If you work in business, finance, education, health care, construction, protective services, sales, law offices or other occupations key to the health of our County and you cannot afford to live in a new community near your job, New Castle County’s new Moderately Priced Dwelling Unit Ordinance may be your answer. The ordinance is a derivative of an analysis of housing needs and economic conditions here in New Castle County and designed to assist residents earning 75% to 90% of area median income (the largely ignored middle class) while adding to the fund that assists low and very low income residents.

How do moderate income buyers benefit when there is a 15-year affordability control for the home?

If program participants remain in the home for the entire 15-year affordability period, the participants realize the full market increase for the home at the time of sale. If the participants move before the end of the 15-year period, the participants still realize profit and other benefits, as set forth below.

- They were able to purchase and live in a home with greater location options throughout New Castle County;
- They enjoyed the tax deductions associated with home ownership;
- At the time of sale, they recouped the cost of any improvements made to the home while living there, real estate commissions paid for sale, and closing costs (components of the maximum resale price); and
- They enjoyed a return on the home via the increase in the consumer price index, which is calculated in the maximum resale price (even if the housing market declines).

How and why do future buyers benefit from the 15-year affordability period?

They enjoy the same benefits as the original purchaser, enhanced by a shorter timeframe to realize full market profit (15 years minus the time the original purchasers lived there).

Why enact any affordability period?

- It would be unfair to market price purchasers if a neighbor received the benefit of a lower price for the same home plus the full market increase, providing the moderate income purchasers with a windfall and giving them more wiggle room to perhaps sell at a lower price and erode property values.
- There is finite land and continuation of the program with opportunities for other moderate income purchasers requires some period of affordability, 15 years being at the lower end of such programs nationwide.

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Why are we giving developers density bonuses for this program and how are area residents protected from unwarranted density and subpar housing?

A developer is not provided a density bonus for a rezoning; rather, if a discretionary rezoning meets code criteria and is approved, the density would be the same as for the new zoning designation— which already is the case for rezonings. The criteria for a rezoning will not change.

What will change regarding rezonings is that developers must include 15% to 20% of new homes or rental units for moderate income purchasers or renters based on the increase in density realized by the rezoning. Moderately-priced dwelling units have architectural style, exterior building materials, finishes and construction quality similar to market-priced dwelling units; and are dispersed throughout the development.

For by-right plans that do not involve a rezoning, a developer may voluntarily agree to render no less than 10 percent of new homes moderately priced dwelling units in exchange for up to a 20 percent density bonus. Adjoining property owners will be protected by the similarity requirements to market properties and by mandatory site capacity calculations.

Will this discourage new development in New Castle County?

The nationally-recognized consultants who performed the analysis did so after careful study of the economic conditions here in New Castle County, and after consultation with numerous stakeholders, including the Homebuilders Association of Delaware, the New Castle County Board of Realtors, and developers who used and refused to use the previous workforce housing ordinance. They determined that the variety of housing types and price points fostered by moderately priced housing units in the proposed program afforded developers the opportunity to grow their customer base and increase profit. Developers will enjoy built-in access to a move-up market within the community, along with the profit realized from increased density. The Land Use Department for good cause as described in the ordinance also may permit off-site units and payment in lieu of moderately priced units, with protections built into the ordinance for the community and the homebuyers. Further, developers may elect to build by-right for the current zoning category or to voluntarily participate in the program when not seeking a rezoning. Developers have the opportunity to rezone or not and to voluntarily participate in the program or not regarding a by-right plan; there is no mandate to participate.

What about lower income residents?

The County will continue to address the needs of very low and low income residents via Section 8 vouchers, down payment settlement help, repurposing foreclosed homes for sale, assisting needy homeowners in repairs, and numerous other programs. This assistance will be enhanced by a \$12 per \$1,000 of permit construction valuation fee upon issuance of a certificate of occupancy for deposit in the Housing Trust Fund for units that are not moderately priced. In other words, this program assists not only moderate income families but low income families. Perhaps most significantly, this program is deemed to have no discernible fiscal impact on the County taxpayers.

Individual wealth in America is tied directly to home ownership. We need to jump-start our economy and increase the purchase power of our residents. This is one tool in the arsenal. Help us to help you.